

4.

Firstly the departmental budgets from Treasury or Council are bid and secured on an annual basis in a business plan. Within the business plan are allocations to the Ministers and Managers for administration, operational expenses plus contingencies. The operational expenses include provisions for Quality Assurance, Occupational Safety and Proper Performance.



A recent invitation to register interest (ROI) from Dept of Conservation stated that "Suitably qualified" contractors were invited to register. The most important words were SUITABLY QUALIFIED. Most suppliers and contractors would not even understand the meaning and would say after a failed bid that there were some "back handers" being paid out to "mates for rates".

The process is actually quite simple. Many or most of the services for Govt and Local Bodies are not allocated on the basis of reputation. We want to be sure that the job will be done - on time, to the agreed price, to the agreed standard and without lots of hassles. For this and for the benefit of not having to go out and supervise the wonderful people who think they know everything, we are prepared to pay a margin. Yes, we are actually prepared to pay for peace of mind!

We will always remember the Riversdale sewerage scheme contract. We only got one tender in the sum of \$900k. We advised the Council not to accept and to let us re-tender. They said "no, we will take the risk". The wonderful contractor went bust as his pumps were not large enough to pump the flooding. The whole project collapsed and was later allocated to another contractor. The eventual cost to the ratepayers was \$1.5m. We can further give examples of Transit NZ giving a bonus payment of \$200,000 for jobs that are finished ahead of time. You probably cannot believe this if \$200k is perhaps your whole turnover.

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Business Qualifications, Accreditation & Compliance Specialists

News & views from Summit Winter 2008



GEORGE CARSON GIVES FINAL OSH WARNING TO CLIENTS PLUS IMPORTANT SECRETS ABOUT QUALITY ASSURANCE

This is my final message as CEO of Summit Systems Ltd. I am most dismayed that some clients fail to observe clear instructions and do not put in place agreements with other parties to minimise their legal risks. Let me now state that your insurance policies will simply NOT WORK.

In a recent prosecution, the client failed to complete a simple three page agreement provided in the exact format for signing off. The result was a waste of precious time - perhaps a total of ten days of management expertise. Yes, they had insurance, but insurance does not pay for fines. Nor does it pay for wasted time and stress. I suspect that the total cost to the company was around \$100,000 in time, stress and wasted focus apart from any fine that may eventually be imposed.

All of this could easily have been avoided with the sub contractor becoming automatically liable for its own staff plus all fines in relationship to its failures. Surely there can be nothing easier than having a simple agreement (which incidentally has on-going effect) put in place to neutralise the slack sub contractor that wanted to ride on the "coat tails" of the principal complaining that it "cannot understand all of this health and safety stuff." In reality it could, but simply put, did not want to. It just wanted to be reckless, ignore the duty of care, plus defy the law.

If you are an existing client, I seriously advise you to ensure that you do not get caught by some sub contractor wanting to avoid its obligations and force you to take on its risks. I recommend that you get advice from our Head Office if you have any doubts or need clarification.

Nearly all businesses need agreements with the plumber, electrician, maintenance firm etc. The same applies to independent contractors. It is a simple matter to have an agreement making them indemnify you for their carelessness, recklessness, failures and omissions. If you wish to take the risk that is your business, but if you would like to minimise risk, then that is our business.

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FLEXIBILITY – BETTER WORK-LIFE BALANCE MEANS CARING FOR KIWIS

Not only do we have to accept that matrimonial and patriarchal leave is entirely probable and that the employer will fund it, and now have to accept that workers who may have dependents (and we will probably not be able to prove otherwise) will require us to favourably consider requests for even more flexible hours. Namely that we must give them more flexible working arrangements under the Flexible Working Arrangements Amendment Act 2007, which gives all employees caring for another person, the right to request more flexible work arrangements including hours, days and place of work – believe it or not!

MUCH MORE ON QUALITY ASSURANCE IN NEW ZEALAND

The typical kiwi manager simply cannot believe that there is any need for quality assurance and that he has “got it all covered” right up to the hairline. The problem is that he does not know and much less understands what s/he is supposed to have covered.

When we talk about quality assurance the typical response is that “I have been in business for 20 years and have always satisfied my customers”. Little does s/he know that the business could have been much more profitable over those years and the manager could have retired earlier.

It is indeed hard for the typical manager to understand that there is a secret list that is operated by most large organisations in relationship to suppliers and contractors. When with the Canterbury Area Health Board, we had to deal with thousands of suppliers but just a small number were the real serious preferred suppliers that would get all the best contracts at the best price.

The same happened at the Southland County Council. We had just three contractors for tar sealing of roads and another three for building bridges. We did not want to waste precious ratepayer funds on contractors who would build inferior roads and bridges that would fail within a few years. Similarly for Air NZ, they do not want to buy engine parts from manufacturers that have no standards. Air NZ actually wants the planes to keep flying and not to have any break downs in mid air.

And the same applies for NZQA registration. There is an annual audit and all educational establishments have to meet the standard or else. The same for procedures in operating theatres in hospitals. All instruments are counted prior to an operation and immediately afterwards. Guess why?

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The same procedure applies for Boeing 737 pilots. Even though they have completed the take off procedure ten thousand times, they still have a written checklist and go through it like a methodical machine to make sure they do not miss the one switch that could cause a crash or failure.

THE SECRET LIST FOR QUALITY ASSURANCE

Yes, there is a secret list operated in most large organisations, believe it or not. And yes, we will never admit it. Why should we? Imagine that I am a City Manager and we have just four firms that we want to deal with for footpath construction. We will firstly check on their qualifications and use them repeatedly. We will tell all of the other potential suppliers that they can certainly apply for the jobs with us and we will keep their names on our books. Actually, we throw their stuff into the rubbish bin. We simply do not want to waste our precious time and take risks with them. Nor do we want the Councillors to know about our preferred list as the Councillors would be lobbying us to have their “pet” friends on our secret or special list, wouldn't they? So, in fact we have two lists. The “A” list of accredited suppliers and the “B” list of non accredited suppliers.

PREFERRED SUPPLIER WORK ALLOCATED WITHOUT TENDERS

Not only do we have two lists. The next thing is that we allocate jobs, special projects and contracts to those that we trust to be quality assured. We are likely to ring them maybe every month and allocate work to them. They will not be required to tender, they will simply give us a price. We will normally give the particular job to the lowest price of the three or four, but not always, as we will spread the jobs around. Since we wish to retain all of them, we will ensure that all three or four get a share of the cake so that we can retain their interest for the future. Is that simple?

What about the other wonderful contractors that think they are the best in the District. Well we always agree with them. “Yes” we say to their face, “you are the best in the District”. Behind the scenes we say “get lost, thank you”.

PROFIT MARGINS ALLOCATED FOR QUALITY ASSURANCE



This is the hottest topic of all. How could there possibly be a profit margin for quality assurance? You might well say “this simply cannot be the case! You are lying! Don't be so foolish, there is no more profit than 5% in our work, don't tell me otherwise as I cannot believe you”. We are now going to tell you that we are sorry but you simply do not understand. We will further tell you that the margins can be 5%, 10%, 20% or even 50% depending on the critical nature of the work. Since you do not want to hear any of that, we will need to explain how this money is actually paid out.